GOVERNMENT OF INDIA
MICRO, SMALL AND MEDIUM ENTERPRISES
LOK SABHA

STARRED QUESTION NO:39
ANSWERED ON:17.02.2009
SMALL SCALE SECTOR AND ITS CHALLENGES
Acharia Shri Basudeb

Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

(a) whether challenges like inadequate exposure to international market,low capital base, competition from China etc.,are being faced by the Small Scale Industries (SSIs) in the country;

(b) if so, the details thereof and the steps taken by the Government in this regard; and

(c) the steps taken/proposed to be taken to ensure viability of SSIs to meet the burgeoning need for employment generation, to increase domestic production and export earnings?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF MICRO,SMALL AND MEDIUM ENTERPRISES (SHRI MAHABIR PRASAD)

(a) to (c): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) IN RESPECT OF THE LOK SABHA STARRED QUESTION NO.39 FOR ANSWER ON 17.02.2009.

(a) to (c): The major challenges faced by the micro and small enterprises (MSEs) in their growth mainly relate to lack of adequate credit availability,technology and marketing constraints, infrastructure bottlenecks and enhanced competition due to liberalized trade regime.The major schemes/programmes implemented by the Government for assisting the MSE sector in meeting the challenges are Credit Guarantee Scheme, Credit Linked Capital Subsidy Scheme, Performance and Credit Rating Scheme, Cluster Development Programme, National Manufacturing Competitiveness Programme, Prime Minister`s Employment Generation Programme and Market Development Assistance Scheme. In addition, some of the initiatives taken for the promotion and development of the MSE sector and for enhancing their competitiveness include enactment of the Micro, Small and Medium Enterprises Development Act, 2006, implementation of the `Policy Package for Stepping up Credit to the Small and Medium Enterprises`announced in August 2005 and the comprehensive `Package for Promotion of MSEs` announced in February 2007.

Further,in the wake of recent global economic slowdown,the following measures have been announced by the Government,the Reserve Bank of India and the Public Sector Banks for enhancing the employment generation, domestic production and export earnings in the MSE sector:

(1) Stimulus Packages announced dated 7th December 2008 and 2nd January 2009

Cenvat cut of 4 percentage points on all products for the remainder of the financial year.

Interest subvention of 2 per cent in pre and post-shipment export credit to SME sector up to 31.03.2009.

Loan limit under Credit Guarantee Scheme for Micro and Small Enterprises extended from Rs.50 lakh to Rs.1 crore with a guarantee cover of 50%. The guarantee cover extended by Credit Guarantee Fund Trust will be increased to 85% for credit facility up to Rs.5 lakh.

Lock-in period for loans covered under the existing Credit Guarantee Scheme reduced from 24 months to 18 months.

Government to issue an advisory to central public sector enterprises and request state public sector enterprises to ensure prompt payment of bills of MSMEs.

(2) Measures announced by the Reserve Bank of India

Refinance limit Rs.7000 crore to Small Industries Development Bank of India (SIDBI) for incremental on-lending to the MSE sector.

Banks have been advised to contribute an aggregate amount of Rs.2000 crore to the MSME Refinance Fund with SIDBI.

As a one-time measure, the second re-structuring done by banks of exposures upto 30th June, 2009 will also be eligible for exceptional regulatory treatment.

While sanctioning/renewing credit limits to their large corporate borrowers,banks have been advised to fix separate sub-limits,within the overall limits, specifically for meeting payment obligations in respect of purchases from MSEs.

(3) Measures announced by the Public Sector Banks

Public Sector Banks to grant need-based ad hoc Working Capital Demand Loans upto 20 per cent of the existing funds based limits in respect of units having overall fund based credit facility upto Rs.10 crore.

Reduction in interest rates for borrowing by micro enterprises by 1 per cent and in respect of SMEs by 0.5 per cent.

Moratorium period will be extended in respect of loans availed by MSMEs where project implementation has been delayed in the current scenario.